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MAR-C INDUSTRIES, INC.
ANNUAL FINANCIAL REPORT

JUNE 30, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-11-04

MAR-C INDUSTRIES, INC.
Annual Financial Report
June 30, 2003

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JAMIESON, WISE & MARTIN
A PROFESSIONAL ACCOUNTING CORPORATION

601 MAIN STREET P.O. BOX 897
MINDEN, LOUISIANA 71058-0897
(318) 377-3171
FAX (318) 377-3177

MICHAEL W. WISE, C.P.A.
CARLOS E. MARTIN, C.P.A.
DAVID W. TINSLEY, C.P.A.

KRISTINE H. COLE, C.P.A.
JENNIFER C. SMITH, C.P.A.

WM. PEARCE JAMIESON, C.P.A.(1991)

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
MAR-C Industries, Inc.
Minden, Louisiana

We have audited the accompanying statement of financial position of MAR-C Industries, Inc. (a nonprofit organization) as of June 30, 2003, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Industries' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MAR-C Industries, Inc. as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2003, on our consideration of MAR-C Industries, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of MAR-C Industries, Inc. taken as a whole. The information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of MAR-C Industries, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Tamrison, Wise & Martin

Minden, Louisiana
December 9, 2003

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A PROFESSIONAL ACCOUNTING CORPORATION

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
MAR-C Industries, Inc.
Minden, Louisiana

We have audited the financial statements of MAR-C Industries, Inc. (a nonprofit organization) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 9, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether MAR-C Industries, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MAR-C Industries, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors, Department of Health and Hospitals, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Jamieson, Wise & Martin

Minden, Louisiana
December 9, 2003

BASIC FINANCIAL STATMENTS

MAR-C INDUSTRIES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2003

ASSETS

Current assets:

Cash in banks	\$ 110,242
Certificates of deposit	86,574
Accounts receivable -	
Accounts receivable - customers	11,416
Accounts receivable - state agency	21,859
Prepaid expenses	<u>3,904</u>
 Total current assets	 <u>233,995</u>

Fixed Assets:

Leasehold improvements	36,554
Equipment	<u>137,989</u>
	174,543
Less: Accumulated depreciation	<u>(132,991)</u>
Total fixed assets	<u>41,552</u>

Total assets	<u>\$ 275,547</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 2,577
Payroll liabilities	<u>6,259</u>
 Total current liabilities	 <u>8,836</u>

Net Assets:

Unrestricted net assets:	
Operations	225,159
Fixed assets	<u>41,552</u>
Total net assets	<u>266,711</u>

Total liabilities and net assets	<u>\$ 275,547</u>
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The accompanying notes are an integral part of these financial statements.

MAR-C INDUSTRIES, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2003

PUBLIC SUPPORT AND REVENUE:

Public support:

Department of Health and Hospitals	\$ 224,158
United Way	7,500
Contributions - general	<u>774</u>
Total public support	<u>232,432</u>

Revenue:

State of LA - MR/DD Waiver -	
Prevocational Rehabilitation	19,911
State of LA - Supported employment	1,768
Other contract services provided	86,996
Membership dues	598
Interest	3,750
Other revenue	<u>16,212</u>
Total revenue	<u>129,235</u>

Total public support and revenue	<u>361,667</u>
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EXPENSES:

Program services -	
Adult services	<u>348,356</u>
Total program services	<u>348,356</u>

Support services -

General and administrative	<u>9,209</u>
Total support services	<u>9,209</u>

Total expenses	<u>357,565</u>
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Change in unrestricted net assets	4,102
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Unrestricted net assets, beginning of year	<u>262,609</u>
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Unrestricted net assets, end of year	<u>\$ 266,711</u>
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The accompanying notes are an integral part of these financial statements.

MAR-C INDUSTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2003

	<u>Adult Services</u>
Salaries	\$219,304
Payroll taxes	<u>12,473</u>
Total salaries and payroll tax expense	<u>231,777</u>
Professional services	14,481
Insurance	17,662
Affiliation dues	1,803
Licenses	119
Office supplies	1,991
Vehicle gas, oil and repairs	14,131
Postage	394
Training materials	802
Telephone	2,341
Production supplies	9,983
Building and grounds maintenance and repair	2,949
Utilities	8,862
Building lease	18,000
Food	875
Outside services	1,754
Miscellaneous	<u>3,514</u>
Total other expenses before depreciation	<u>99,661</u>
Depreciation	<u>16,918</u>
Total program services	<u>\$348,356</u>

The accompanying notes are an integral part of these financial statements.

MAR-C INDUSTRIES, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 4,102
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	16,918
Increase in accounts receivable - customers	(7,607)
Decrease in accounts receivable - state	517
Increase in prepaid expenses	(1,054)
Decrease in accounts payable	(1,321)
Increase in accrued payroll expense	<u>420</u>
Net cash provided by operating activities	<u>11,975</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	<u>(9,092)</u>
Net cash used by investing activities	<u>(9,092)</u>
Net increase in cash and cash equivalents	2,883
Cash and cash equivalents - June 30, 2002	<u>193,933</u>
Cash and cash equivalents - June 30, 2003	<u><u>\$ 196,816</u></u>

The accompanying notes are an integral part of these financial statements.

MAR-C INDUSTRIES, INC.
Notes to Financial Statements
June 30, 2003

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

MAR-C Industries, Inc. is a not-for-profit public service corporation exempt from federal income taxation under Internal Revenue Code Section 501(c) (3). Revenues are derived primarily from the following:

- a) Louisiana Department of Health and Hospitals
- b) United Way
- c) Contributions from the general public
- d) Contract work performed by the clients for various types of companies
- e) State of LA - MR/DD Waiver on a fee-for-service basis to provide Prevocational Rehabilitation to clients.

MAR-C Industries, Inc. provides education, training, work opportunities, supported employment, and prevocational rehabilitation to mentally retarded adults.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, MAR-C Industries, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Leasehold Improvements and Equipment

Land, building and equipment are stated at cost less accumulated depreciation. MAR-C Industries, Inc. follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500.

MAR-C INDUSTRIES, INC.
Notes to Financial Statements
June 30, 2003

Leasehold Improvements and Equipment (continued)

All depreciable assets are depreciated under the straight-line method over their estimated useful lives as follows:

<u>Assets</u>	<u>Estimated Life</u>
Vehicles	5 years
Furniture and equipment	5-10 years
Leasehold improvements	15 years

Contributions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes an unconditional promise to give. Contributions are considered available for unrestricted use, unless specifically restricted by the donor. Donors placed no significant restrictions on contributions for the year ended June 30, 2003. Donated materials and equipment are recorded as support at their estimated fair values. No amounts are reflected in the statements for donated services, as the value of such services meeting the requirements for recognition was not material to the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, MAR-C Industries, Inc. considers cash, cash in banks, and certificates of deposit to be cash equivalents.

MAR-C INDUSTRIES, INC.
Notes to Financial Statements
June 30, 2003

2. Accounts receivable

Accounts receivable of \$33,275 due to MAR-C Industries, Inc. at June 30, 2003, consists of \$14,694 from Department of Health and Hospitals, \$4,645 from Louisiana Medicaid Assistance Program, \$2,520 from Brighter Tomorrows Program, and receivables on private contracts of \$11,416.

3. Leasehold improvements and equipment

Leasehold improvements and equipment at June 30, 2003, are composed of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Leasehold improvements	\$ 36,554	22,439	14,115
Furniture and equipment	<u>137,989</u>	<u>110,552</u>	<u>27,437</u>
Totals	<u>\$174,543</u>	<u>132,991</u>	<u>41,552</u>

4. Classification of public support and revenue

The major classifications of public support and revenue are disclosed in the Statement of Activities.

5. Significant reliance on major sources of revenue and support

For the year ended June 30, 2003, approximately \$59,469 of revenue received for services provided by the clients came from oral contracts with two local companies. There are no written contracts with these companies, and there is no assurance that such work will continue to be contracted with MAR-C Industries, Inc.

For the year ended June 30, 2003, MAR-C Industries, Inc. received the majority of its public support from a grant in the amount of \$224,158 from the Louisiana Department of Health and Hospitals.

MAR-C INDUSTRIES, INC.
Notes to Financial Statements
June 30, 2003

6. Leases

The facilities are leased under an open-end leasing arrangement at \$1,500 per month. Building lease payments in the amount of \$18,000 were made during the year ended June 30, 2003. This arrangement is considered an operating lease.

7. Prepaid expenses

Prepaid expenses, as of June 30, 2003, are made up of \$ 3,904 of prepaid insurance.

8. Concentration of Credit Risk

As of June 30, 2003, MAR-C Industries, Inc. had a bank balance of \$199,173 with Minden Building & Loan. Deposits held with Minden Building & Loan are secured from risk by federal deposit insurance on amounts up to \$100,000. As of June 30, 2003, MAR-C Industries, Inc. had \$99,173 in bank deposits in excess of federal deposit insurance.

9. Name Change of Corporation

On March 13, 2003, Minden Association for Retarded Citizens, Inc. changed their charter as registered with the Louisiana Secretary of State to MAR-C Industries, Inc.

SUPPLEMENTAL INFORMATION SCHEDULES

MAR-C INDUSTRIES, INC.
Schedule of Compensation Paid Board of Directors
June 30, 2003

The Board of Directors of the MAR-C Industries, Inc. does not receive compensation for their service on the board. The following were members of the Board as of June 30, 2003:

President	Joe Wallace
Vice-President	Tommy Davis
Secretary	Francis Irving
Treasurer	Fred Evans ¹
Members	Robert Clark
	Henry Hobbs
	Craig Watson
	Mickie Holman
	Jeanne Martin
	Dick Todd

¹ During the fiscal year ended June 30, 2003, Fred Evans received total payments of \$2,400 for bookkeeping services performed for MAR-C Industries, Inc.

MAR-C INDUSTRIES, INC.
Summary Schedule of Prior Audit Findings
June 30, 2003

During the audit of the financial statements of MAR-C Industries, Inc. (formerly Minden Association for Retarded Citizens, Inc.) as of and for the year ended June 30, 2002, no findings were noted that are required to be reported in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

MAR-C INDUSTRIES, INC.
Corrective Action Plan for Current Year Audit Findings
June 30, 2003

During the audit of the financial statements of MAR-C Industries, Inc. as of and for the year ended June 30, 2003, no findings were noted that are required to be reported in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.